



09/08/2004

United States  
Department of  
Agriculture

INFORMATIONAL MEMORANDUM

Risk Management  
Agency

To: Reinsured Companies

Davis, California  
Regional Office

From: Bill Murphy /s/ Bill Murphy  
Director

430 G St., #4168  
Davis CA  
95616

Subject: Requirements of Pre-Acceptance Field Inspections and RMA RO  
Determined Yields for the 2005 crop year (2006 crop year for  
Citrus and Macadamia Nuts).

**ISSUE:**

For 2005/2006 the following Davis Regional Office (RO) Guidelines are issued to more accurately target perennial crop policies needing field inspections and to limit the number of field inspections to only those cases requiring further analysis and possible yield adjustment by the Davis RO. These procedures apply to states serviced by the Davis RO: Arizona, California, Hawaii, and Utah.

**General Requirements:**

- 1) When the policy triggers pre-acceptance field inspection selection criteria (tolerance guidelines) outlined in Section 7F(2) in the 2005 Crop Insurance Handbook (CIH) requiring RMA RO yield determination, the following information, for all applicable units by practice, type, and variety (P/T/V) must be acquired and if applicable submitted:
  - (a) Supporting documentation to the RMA RO as outlined in Section 7F(6): Actual Production History (APH) forms (FCI-19A, NCIS-765 or APH equivalent), Block Production Worksheet(s), Producer's Pre-acceptance Worksheet(s), applicable Crop Addendum Worksheet, and RMA RO Determined Yield Request. Acceptable supporting acreage and production evidence (hard copy) must be furnished to and retained by the Insurance Provider. Do not send hard copy evidence into the Davis RMA RO, unless requested.
  - (b) A current Pre-Acceptance Perennial Crop Inspection (five years old or less) as outlined in the chart shown in Section 7F(1) (C). If the current inspection on file is more than five years old, (inspections for the 2000 crop year and prior), or a current copy cannot be obtained from the ceding company, the units(s) in question must be field



The Risk Management Agency Administers  
And Oversees All Programs Authorized Under  
The Federal Crop Insurance Corporation

An Equal Opportunity Employer

inspected for 2005. Please note the requirement for a new inspection when the insured answers “YES” to question 22 contained on the Producer’s Pre-Acceptance Worksheet. Also note in paragraph 5b of this letter the RMA RO is requesting a recent inspection (2003 [2004 Citrus/ Mac Nuts] crop year or newer) according to Section 7F(1)(b).

**Yield Limitations (cups) / Substitution under YA (Sixty percent (60%) T-Yields) in Reference to 3) & 4) & 5) below:**

- 2) Yield limitations (cups) [Section 7(J) (6), and Yield Substitution YA (Sixty percent (60%) T-yields) [Section 13 (D) (7)] generally do not apply to units (by P/T/V) in special cases referred to the RMA RO for yield determination, including those cases waived for company approval. Cases identified in Section 7 (F) (2) (b) or submitted to the RMA RO as a request for higher yield that is waived by the RMA RO may be eligible for Yield Substitution if qualified and elected by the insured, as determined by the RMA RO. However, all other Crop Insurance Handbook (CIH) procedures apply.

**Higher Yield Requests:**

- 3) CIH procedures in section 7 F (2)(a) allow the insured to request a yield greater than the average APH yield with reasonable cause. Cases requesting a higher yield than the average yield requires the information requested in item 1 above. In addition the insured needs to provide a written explanation as to the reasonable cause for the higher yield. For older blocks (blocks that should have four years of insurable yield history) only, approve the Average APH Yield if none of the following conditions apply:
  - a) Contains bearing acreage coming into insurable production;
  - b) Changes in farming, management, or cultural practices; or
  - c) Removing older portions of the block;

**High Variability of Actual Yields :**

- 4) For Citrus and Macadamia Nuts: In accordance with trend tolerance guidelines contained in Section 7 F (2) (b) 1 of the CIH, if the policy contains unit(s) by P/T/V which exhibit alternate bearing as outlined in the table the following additional test will apply:
  - A. If the most recent crop year’s per-acre yield is equal to or lesser than 75 percent of the average APH yield AND the per acre yield for the year prior to the most recent year is more than or equal to 125 percent of the average APH yield then apply the formula found in Section 7 F (2) (b) a.

B. If the most recent year is more than 125 percent of the average APH yield AND the prior year is less than 75 percent of the average APH yield Insurance Providers will apply the formula found in Section 7 F (2) (b) b.

**Yield Trend Exceptions:**

5) In accordance with trend tolerance guidelines contained in Section 7 F (2) (b) 2 of the CIH, if the policy contains unit(s) by P/T/V which exhibit a downward trend, the following conditions apply:

Insurance Providers are authorized to approve the Average APH Yield without the CIH formula for a unit that meets the definition of a downward trend and doesn't meet one of the following additional criteria:

1. Both of the previous two (2) years are less than 75% of the Average APH Yield (except prunes); or
2. Three (3) or more years are less than 75% of the Average APH Yield in the last four (4) or five (5) years.

In applying criterion 1 or 2 above in determining whether a unit requires a RO determined yield due to a downward trend, apply only criteria 2 to prunes. For all other crops use either criterion 1 or 2 in determining whether a unit requires a RO determined yield according to the formula below.

a. That unit/block meeting the criteria outlined in items 1 or 2 in this section, the Approved APH Yield will be determined by the following formula:

$$\text{Approved APH Yield} = \text{Average APH Yield} \times \text{Yield Adjustment Factor.}$$

The downward trend factor determined by dividing the most recent three-year average yield by the Average APH Yield is used to determine the corresponding yield adjustment factor.

<u>Downward Trend Factor<sup>1</sup></u>	<u>Yield Adjustment Factor</u>
1.0 - .75	1.00
.74 - .65	.80
.64 - .55	.70
.54 - .45	.60
.44 - .35	.50
.34 - .25	.40
.24 - 0.0	.30

<sup>1</sup> Round to the nearest 100<sup>th</sup>

- b. If a grower requests that the yield be reviewed by the RO, the Insurance Provider needs to submit the grower's request in writing, a recent (2003 [2004 Citrus/ Mac Nuts] crop year or newer) pre-acceptance inspection report, and all other documentation as outlined in 1) above. The grower's letter needs to provide justification to approve the average APH yield.

**Organic or Sustainable Practices (Pre-Acceptance Work Sheet Question #23 – Organic and Non-Conventional Practices)**

- 6) Insurance providers are authorized to approve the average APH yield using APH procedure stated in Exhibit 38 for all units {identified in 7F (2) (d)} grown with the transitional organic or organic production practice. Units/blocks meeting the criteria in 7F (2) {except (2) (d)} the insurance provider will follow the procedures in this letter or the CIH.

**ADDITIONAL WAIVER PROCEDURES:**

- Insurance providers are authorized to approve average yields for situations via guidelines outlined above in parts 3), 4), 5) a, and 6) above.
- The waiver is not applicable to policy units when answering either 'YES' to question 22 or 'NO' to question 24 of the Producer Pre-Acceptance Worksheet (FCI-12-PAW) or marking the RO Coverage Review on question 37 of the Pre-Acceptance Perennial Crop Inspection Report (FCI-12-P).
- The Crop Insurance Handbook in Section 7 F (5)(a) states that the information has to be submitted to the Insurance Provider or RMA RO 30 days after the Production Reporting Date (PRD). Paragraph 5b allows the RMA RO to extend the date for submission to the RMA RO to 60 days past the production reporting date. The extended submission date applies only to those contracts/units requiring RMA RO yield determination.

<b>Crops:</b>	<b>PRD</b>	<b>60 days</b>
Almonds	1/31	3/31
Apples	AZ/UT	3/04
	CA	3/31
Avocado	1/04	3/04
Figs	4/14	6/14
Stonefruit	3/01	5/01
Apricots, Nectarines, Clingstone Peaches, Freestone Peaches		
Citrus	1/04	3/04
Grapefruit, Lemons, Mandarins, Minneola & Orlando Tangelos, Navels & Valencia Oranges		
Grapes	3/17	5/17
Mac Nuts	2/15	4/15
Pears	1/31	3/31
Plums	3/01	5/01
Prunes	3/01	5/01
Table Grapes	3/17	5/17
Walnuts	3/17	5/17

- Contracts submitted for greater yields than the average APH received more than 60 days after the PRD will receive an approved yield based on items 4, 5a, or CIH procedures (e.g. variable T Yield, high yield variability) in order of precedence unless assigned yield provisions or other CIH procedure applies.
- RMA RO Approved Yields determined from formulas stated in the Crop Insurance Handbook or this letter in sections 4 or 5 will follow reconsideration deadlines stated in Section 11A. Please include a copy of the written notification to the insured of the adverse decision.

Any policy forwarded to the Davis RO must include supporting documentation as outlined under part 1) of the General Requirements above. If you have any questions or if we can be of any assistance, please contact us.

cc: Sharon Hestvik / USDA / RMA / IS via Email  
 Art Buechle / USDA / RMA / USB via Email  
 Sacramento Compliance Office / USDA / RMA / CO via Email  
 Billings RO, Jackson RO, Oklahoma City RO, Raleigh RO, St. Paul RO,  
 Spokane RO, Springfield RO, Topeka RO, Valdosta RO via Email